APPENDIX A: ANSWER KEY

Unit 1: Your Real Estate Career

Answers - Matching


Answers - Multiple Choice

1. d A career in real estate offers real estate salespeople high earning potential, independence, career, and advancement opportunities, flexible work schedules, and an unlimited inventory. Page 9

2. b Instead of salaries, real estate agents earn commissions when transactions close. Page 10

3. b Commissions on sales are the main source of earnings for real estate salespeople and brokers. Page 10

4. a Commissions are based on a certain percentage of the sale price of a property. The amount is not set by law, and must be decided between the broker and the seller. Page 24

5. c An employee is someone who is under the control and direction of an employer. Page 19

6. a The term brokerage generally refers to an activity involving the sale of something through an intermediary who negotiates the transaction for payment. Page 2

7. c A listing agreement is a bilateral contract between the seller and the broker. Listings belong to brokers. Page 7

8. b Prospecting for listings and selling properties are the main activities of salespeople in a real estate brokerage. Page 5

9. a The listing coordinator manages all required paperwork for listings. Duties may include preparing a pre-listing package and comparative market analysis for each seller, communicating with sellers regarding the marketing of their property, following up with salespeople who show the property, arranging office and MLS previews, and completing any task required to take the listing from potential sale to closed transaction. Page 29
10. **b**  During the escrow process, anything that needs to be resolved prior to closing is the responsibility of the escrow coordinator. This may include the buyer's approval of the property inspection, pest control inspection, geological report and other disclosures required by law or by agreement of the buyer and seller.  

**Unit 2: Prepare for Success**

**Answers - Matching**

1. I  
2. O  
3. H  
4. D  
5. C  
6. G  
7. M  
8. E  
9. A  
10. B

**Answers - Multiple Choice**

1. **d**  Personal attributes, financial reserves, technology, and training are all extremely important factors to take into consideration before you enter the profession.  

Page 37

2. **a**  A new real estate salesperson should set aside at least six months to a year of living expenses to allow enough time and money to build a substantial client base.  

Page 37

3. **b**  Ongoing expenses recur every month like your cell phone bill, car maintenance, postage, printing, advertising, and insurance premiums.  

Page 38

4. **d**  The first cost of doing business after passing the state exam will be to pay for your salesperson license. Remember, you must have your license before you can start to work as a sales associate in a brokerage.  

Page 39

5. **c**  At one time typewriters were used to prepare forms. Today, most licensees access zipForm® from their computers to do this task.  

Page 39

6. **c**  A well-designed website will focus on the needs of its readers.  

Page 43

7. **b**  Busy real estate professionals can protect themselves against liability by documenting every event in a transaction.  

Page 44

8. **d**  Your appearance is a powerful business tool, which helps you make a good first impression.  

Page 45

9. **c**  One of the ways to improve your listening skills is to focus on the buyer’s most important issues.  

Page 51

10. **b**  When dealing with an upset client, listen carefully to the client’s criticism, and try to work out the problem in the best possible way.  

Page 52
Unit 3: Goal Setting & Productivity

Answers - Matching

1. D
2. G
3. E
4. H
5. B
6. C
7. J
8. A
9. I
10. F

Answers - Multiple Choice

1. d Productivity management incorporates business planning techniques, personal marketing strategies, and time management skills. Page 57
2. c A business plan is not a static document. It is dynamic and changes while at the same time providing a road map of the business’ direction. Page 58
3. d Goals should be SMART (specific, measurable, attainable, relevant, and timely). Page 60
4. b Short-term goals can be met in hours, days, or weeks. Closing one transaction is a stepping-stone to reaching the long-term financial goal. Page 60
5. b Break long-term goals into easier, short-term goals. A practical way to do this is to make daily activities consistent with the daily, weekly, and monthly goals. Page 60
6. c A personal marketing plan describes the marketing efforts you will make to reach your target market. Page 65
7. c Repeated mailings of a strong, direct-mail piece helps establish permanent name recognition, which will generate new and repeat business. Page 65
8. c For any marketing to be successful, sales associates must use a prospect management system to track the source of leads. Page 70
9. d The income funnel quantifies the number of prospects from each activity that must be contacted in order to complete a sale. Marketing activities that produce income are networking, regular mailings, floor time, website leads, open houses, referrals, repeat business, and other sources. Page 72
10. c The first step is to determine what time to start work each day. The highest priority activities and goals should be scheduled first. Schedule the business and prospecting activities for the week and items from the prioritized task list that need to be completed. Finally, block in some contingency time. Page 73
# Unit 4: Product Knowledge

## Answers - Matching

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## Answers - Multiple Choice

1. **d** The obvious selling point for new neighborhoods is that everything is new, modern, and sought-after. The houses are larger with up-to-date floor plans and amenities. The houses are safer due to more stringent building safety codes, easier to maintain, and energy efficient.  
   Page 83

2. **d** New houses are designed and built to conserve energy. The use of dual and triple-glazed windows, increased insulation in walls and roofs, more efficient heating and cooling equipment, and Energy Star® appliances have helped to decrease energy consumption. These houses not only save the homeowner money, but they are less drafty and more comfortable.  
   Page 84

3. **c** A gable roof has a pitched roof with two sloping sides. A hip roof is a pitched roof with four sloping sides. A gambrel roof is a curved roof with a steep lower slope with a flatter one above. A Mansard roof has four nearly vertical sides with a flat top.  
   Page 89

4. **b** Ribbon windows are several rectangular windows placed in a row with their frames abutting, and are a distinctive feature in Craftsman and Prairie style houses.  
   Page 93

5. **a** During the mid 1900s, the uncomplicated, rectangular-shaped Cape Cod was economically mass-produced in suburban areas. The upsurge in popularity was due to the return of service men and women from World War II who were able to purchase these houses with government guaranteed loans. Sometimes these houses were called the GI Government Issued houses.  
   Page 98

6. **d** The Georgian style has formal, symmetrical lines, paired chimneys, and five windows across the front of the second story.  
   Page 99

7. **b** When people think of a Victorian house, they usually picture the highly imaginative and elaborate Queen Anne style.  
   Page 101

8. **a** This describes the Craftsman Bungalow style.  
   Page 103

9. **c** The most distinguishing feature of the Monterey style is the second-story balcony on the front of the house.  
   Page 105

10. **b** The Mediterranean style of architecture is a blend of the Italian, Moorish, Byzantine, and the early California mission styles. This style uses white or light-colored stucco on the exterior and a red-tiled gable roof with very little or no overhanging eaves. Additional features include arched doorways and windows, courtyard entrances, patios, ornamental tile, and wrought iron.  
    Page 112
11. **d** This is a classic description of the Tudor Revival style. Page 107

12. **d** The main characteristic of French Normandy style is the round stone tower topped with a cone-shaped roof. Sometimes the tower is the entrance to the house. Page 108

13. **b** Art Deco style is characterized by geometric designs such as zigzags, chevrons, diamonds, sunbursts, and painted or relief designs arranged in horizontal bands near the roofline. Page 109

14. **d** The Ranch style house has become the most popular style in the country since its debut in 1932 in San Diego. Ranch style houses are found throughout the United States in suburban housing tracts. Page 110

15. **d** Neo means new and eclectic refers to combining a variety of details from different styles to produce a harmonious look. Page 113

### Unit 5: Completing the Seller’s Forms

**Answers - Matching**

1. **L** 5. **H** 9. **E** 13. **B**
3. **N** 7. **C** 11. **Q** 15. **F**
4. **G** 8. **O** 12. **R**

**Answers - Multiple Choice**

1. **b** Before going to the listing appointment, Pat prepares a comparative market analysis (CMA) to show the Springs. This information will help them set an appropriate listing price. Page 123

2. **d** Every single agency relationship has a principal, an agent, and a third party. A dual agency would have one agent and two principals, but not a third party. Page 125

3. **c** A dual agency exists if one broker represents both principals (buyer and seller) in the transaction. Page 125

4. **c** A written agency disclosure must be presented by a listing agent (or his or her sales associate) who must deliver the form to the seller before entering into a listing agreement. Page 127

5. **a** This information is written on the lines provided in Section 2. Page 138

6. **c** This is written on the line provided in Section 4.C. Page 138
7. **d**  
   In arbitration, the parties hire a neutral person (arbitrator) to listen to each side of the dispute. The main difference between mediation and arbitration is that the arbitrator may award a binding decision on all parties to the dispute. The decision is final, binding, and legally enforceable. Arbitration awards are final, and the courts will not re-hear the case, unless the arbitrator was corrupt, exceeded his or her power, or the award was procured by fraud, corruption, or other undue means. Page 136

8. **c**  
   The listing agreement is a contract between the seller and the listing agent, so both must sign it. Once signed, it becomes an enforceable, bilateral contract. Page 137

9. **b**  
   This form provides a worksheet to estimate seller’s approximate costs and proceeds from the sale of a property. Page 144

10. **d**  
    The Combined Hazards Book is comprised of three parts: (1) Residential Environmental Hazards, (2) Protect Your Family From Lead booklet, and (3) The Homeowner’s Guide to Earthquake Safety. By giving the buyer this Combined Hazards Book, you will meet or exceed current disclosure requirements. Remember, even though you give buyers the disclosure booklets, the seller is still responsible to complete all disclosure forms honestly and accurately. Page 164

**Unit 6: Completing the Buyer’s Forms**

**Answers - Matching**

1. G  
2. I  
3. H  
4. C  
5. A  
6. J  
7. E  
8. L  
9. D  
10. B

**Answers - Multiple Choice**

1. **c**  
   In most cases, a standard California Residential Purchase Agreement and Joint Escrow Instructions (RPA-CA) contract is used by real estate agents when a buyer makes an offer anywhere in California. It was created by the California Association of REALTORS® (C.A.R.). The Bureau of Real Estate does not officially recommend this form; nor is any type of specific form required by law. Page 183

2. **b**  
   The words “and Joint Escrow Instructions” reflect that the form also has an instruction to the escrow holder by both the seller and the buyer. The form includes space for the escrow holder to sign for receipt of the document. Page 183

3. **b**  
   Funds received may not be commingled with a broker’s personal funds. Funds must be deposited and disposed of within three business days after receipt unless otherwise instructed in writing. Indicate if the deposit will be placed into a broker’s trust account or elsewhere. Page 186
4. **c** The closing and occupancy section covers the intent of the buyers to occupy the property as a primary residence, the date the sellers (or tenant) will turn over possession of the property to the buyers and whether or not the buyers will take possession of the property prior to close of escrow. **Page 189**

5. **b** Because the purchase of a property requires many inspections, reports, and tests, it is important for both buyer and seller to agree on who will be responsible for payment of each one. Also, the buyer and seller must agree on allocation of payment for the escrow and title providers they select. Prepaid items such as property taxes and insurance are prorated in escrow. **Page 189**

6. **a** Sellers must complete the TDS and NHD and give them to buyers. The Lead-Based Paint disclosure must be given to buyers if the property was built prior to 1978. **Page 190**

7. **b** The contract specifies time periods for buyers and sellers. Choices (a), (c), and (d) are correct. In choice (b), the buyer, not the seller, deposits additional money for the downpayment. **Page 194**

8. **a** The purchase agreement usually contains a printed clause that says the sellers may keep the deposit as liquidated damages if the buyers back out without good cause. **Page 198**

9. **d** If the offer is not accepted by the seller within the time specified, the offer is revoked and any deposit is returned to the buyer. **Page 199**

10. **b** In addition to the down payment, the buyers will have to pay for their share of the closing costs. Advise the buyers that the closing costs may be up to 1.5% of the purchase price and are not financed. **Page 209**

**Unit 7: How Will You Get Your Business?**

**Answers - Matching**

1. **L**
2. **T**
3. **B**
4. **P**
5. **F**
6. **H**
7. **R**
8. **M**
9. **C**
10. **Q**
11. **I**
12. **E**
13. **D**
14. **K**
15. **G**
16. **J**
17. **O**
18. **A**
19. **S**
20. **N**

**Answers - Multiple Choice**

1. **a** Your most likely prospects will include people in your current sphere of influence, homeowners in your geographic target market, FSBOs, individuals in your demographic target markets, and prospects who call or come to the office while you have floor time. **Page 218**
2. c Family members, friends, teachers, former colleagues, and members of associations to which you are in your sphere of influence and are considered warm prospects. Page 218

3. b In 1991, Congress passed the Telephone Consumer Protection Act (TCPA). In 2003, the FCC established, together with the Federal Trade Commission (FTC), a national Do Not Call Registry. Page 222

4. d A prospecting strategy describes the activities you will use—direct marketing, personal selling, and networking—to contact prospective clients and customers. Page 224

5. a The benefit of direct marketing is that your marketing pieces and messages are sent directly to your target market. However, unsolicited marketing pieces may be irrelevant to the recipient and may be considered junk mail, and unwanted email messages are considered spam. Page 225

6. b Networking can be done by joining groups and associations and physically attending functions or through social media. Page 234

7. a The Internet has changed prospecting to a certain extent. Instead of outgoing calls and direct marketing (the “push” model), using the Internet effectively “pulls” the customer to your website. Pull marketing attracts customers to you. Page 234

8. b Write about something that you are passionate about. Do not steal other people’s material. Link to them if their information is relevant. Be friendly, conversational, and humorous, and it does not hurt to be a little edgy occasionally. Provide an RSS feed for your blog. Page 236

9. c Podcasting is a free service that allows Internet users to pull audio files (typically MP3s) from a podcasting website to listen to on their computers or personal digital audio players. Page 237

10. a The goal of prospecting and networking is to cultivate new clients and expand your business. Therefore, always ask for referrals to build a referral database. Page 239

Unit 8: Advertising & Marketing Listings

Answers - Matching

Answers - Multiple Choice
1. d The different promotional methods are advertising, direct marketing, sales promotion, personal selling, and networking. As a salesperson, you will use all of these methods in the course of promoting yourself and your listed properties. Page 245
2. **a** The sales associate should put emphasis on features that may attract buyers.  
   Page 246

3. **a** The “A” in the AIDA formula is for attention. You must first get the customer’s attention before anything else.  
   Page 250

4. **d** The use of certain terminology in an advertisement is often a red flag. Describing a certain neighborhood as exclusive, or a house as “great for a single person” or “great for an active person” implies potential discrimination.  
   Page 253

5. **a** Common ways to advertise on the web include banner and sidebar ads, pop-ups (and pop-downs), floating ads, interstitial ads, unicast ads, and takeover ads.  
   Page 257

6. **d** Today’s website is yesterday’s storefront. To compete, you company must have a website. Your website does not give you a competitive advantage; it just puts you on par with your competitors.  
   Page 258

7. **a** The two types of newspaper advertising are classified and display ads.  
   Page 260

8. **a** The billboard category includes yard signs.  
   Page 262

9. **d** Transit advertising involves advertising that is on vehicles as well as positioned in the public areas of transit stations and terminals. Magnetic signs for car doors are a type of transit advertising.  
   Page 263

10. **c** The cost of television advertising on the major networks during prime time is exorbitant.  
    Page 264

**Unit 9: The Listing Presentation**

**Answers - Matching**

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**Answers - Multiple Choice**

1. **d** A listing package should include information about the seller’s property, professional details about you and your brokerage, samples of your advertising and marketing pieces, and all of the forms necessary for listing the property. A carefully prepared listing package will help achieve a position of trust, accountability, and communication with the seller.  
   Page 271

2. **b** When a homeowner decides to sell his or her home, they generally call one or more real estate professionals. If you are the one they contact, you will come to the prospective seller’s home for a listing appointment. Each salesperson gives a listing presentation and tries to convince the prospective seller that he or she is the specialist to sell the home.  
   Page 269
3. b Develop a list of questions to ask the seller prior to the listing appointment that will help tailor your presentation to each particular seller. Everyone desires to be treated as an individual, and sophisticated sellers will know immediately if you use a standard presentation. Page 270

4. a It is possible to follow the same timeline and activities in your property marketing plan for any listing because certain recommended marketing activities will benefit any listing. Page 272

5. b The CMA lays the foundation for setting a realistic listing price for the property. Page 273

6. c Only those similar properties—sold on the open market, with approval of the seller, and offered for a reasonable length of time—are used for comparables. In addition, if possible, use only those properties that have sold within the past six months. Comparables older than six months are typically less reliable. Page 274

7. c To prepare a CMA for a property, collect data on at least three comparable properties (comps) that are as similar to the property in question as possible. The MLS allows you to find properties that match certain criteria you enter into the computerized database. Page 274

8. b During a “buyer’s market” by lowering the price, you can sell a property that is functionally obsolete, in poor condition, in a poor location, or on a busy street. When advertising on the Internet, it is crucial you include pictures and even virtual tours. Potential buyers who encounter a listing with a “photo not available” will go elsewhere to find a home. Page 278

9. a The right listing price is the secret to a fast sale. A salesperson needs more than charisma to sell a property. Lowering your commission may help you obtain the listing, but it will not influence a salesperson’s ability to procure a buyer. If the price is right, a home can sell in a poor neighborhood. Page 278

10. d If there is more supply than demand (buyer’s market), a seller might have to lower the price of a property. If there is more demand (a seller’s market) than inventory (listed properties), the seller could consider pricing the home at the top end of the range of value or higher. Page 279

11. d A good time to present your commission is while you are explaining the costs in the net sheet because you can redirect the sellers’ attention to the real issue—what will their check amount be at the closing. It is easier for the seller to see the commission when it is presented as part of all of the costs involved in the sale. Page 280

12. c The average sale takes place after the fifth or sixth refusal. Page 281

13. c The proper procedure to follow when asking for the listing is: (1) Present the Agency Disclosure Statement, (2) Present the Listing Agreement, and (3) Present the Seller’s Advisory. Page 281
14. a The listing agreement is between the broker and the seller, but a salesperson usually represents the broker in the transaction. Page 269

15. a The most common reason a home fails to sell is overpricing. Page 283

Unit 10: Servicing the Listing

Answers - Matching

Answers - Multiple Choice
1. c Most clients equate consistency of communication with customer service. In fact, the most frequent complaint clients and customers have about real estate sales associates is the lack of communication. You need to maintain proactive communications with your clients, be highly accessible, and deliver quality as well as consistency in your communication and product. In order to meet your customer’s expectations, set up a schedule of communication; agree to call them once a week to update them. Page 292

2. d Staging the home, marketing efforts, and a high level of communication build a perception of professionalism and ensures loyalty. Page 291

3. b The majority of listings sell through the MLS and other salespeople. Submitting the listing to an MLS is the first marketing activity you should perform once the property is ready for showings. The “For Sale” sign is widely recognized as the number one marketing tool. It should be big enough for passersby to read easily, and it should always include your name and contact information. Develop distinctive signage that stands out. If the property is in an association, be sure to follow its rules regarding placement of property “For Sale” signs. Page 293

4. b To prepare a home for sale, the seller should remove huge photo collages, get rid of the clutter, clean closets, and organize kitchen cupboards. It is not necessary to hire an interior decorator. Pages 296

5. b To write more effective ads in less time, keep your audience and their emotions in mind. Writing successful ads begins and ends with emotions. Every good ad addresses the right (emotional) brain first and then the left (logical) brain. Research has shown that higher readership is due to ads that used figurative language (metaphors, puns, analogies, etc.) rather than literal wording (just the facts). Page 300
6. **b** The reasons a listing agent should hold an open house are to market and sell the property as well as to meet prospective buyers and sellers.  

7. **a** A net sheet prepared for a full price offer, a copy of the listing, and a blank offer to purchase are all items to bring in preparation for an open house. 

8. **c** One of the ways to improve the visual appearance of a property during an open house is to clear the clutter.

9. **d** Escort visitors through the house and allow them to browse freely. Watch for buying signals. It is a matter of being sensitive to what the visitor needs before he or she can make the decision to become a buyer. It is a good idea to have information available on what the down payment and monthly mortgage payments would be.

10. **b** Leave the house as you found it by turning off the lights, closing the windows, and locking the doors. If a door was unlocked when you arrived and there were no specific instructions to lock it or leave it unlocked, lock it. A personal thank you note and telephone call the next day makes a good impression on potential clients.

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**Unit 11: Working with Buyers**

**Answers - Matching**

1. M  
2. B  
3. A  
4. C  
5. K  
6. L  
7. H  
8. D  
9. I  
10. E

**Answers - Multiple Choice**

1. **b** A disclosure of agency with a buyer is required by real estate law in every transaction.  

2. **d** A buyer can choose to work with a buyer's broker, dual agent, or non-exclusive agent. 

3. **d** Baby Boomers, Generation Y, and Generation X all represent today's homebuyers.

4. **b** Increasingly, buyers and sellers are looking to the Internet as their primary source of information.

5. **d** A buyer's profile provides information about the buyer's financial resources which helps qualify them.

6. **c** One of the activities a salesperson should perform before taking a prospect on property showings is to create a homebuyer's checklist and have them fill it out at the first opportunity.
7. **d** Avoiding conflict, selling the benefits of the home, and being honest are a few of the several ways to help buyers make a decision. Page 336

8. **d** Touching, talking about placing their furniture in the home, and asking others for their opinion are all buying signs of a desirable property. Page 339

9. **d** Objections can be viewed as a positive part of the sales process—a buyer is showing interest, a way to provide feedback, and that the buyer requires further clarification. Page 339

10. **a** When salespeople witness buying signals and feel confident that the property in question is right for their buyers, it is imperative that they ask for the sale. If they never ask, they may never know if the buyers are seriously interested in a property. Page 340

### Unit 12: Writing and Presenting an Offer

#### Answers - Matching

1. K
2. F
3. I
4. C
5. D
6. G
7. E
8. B

#### Answers - Multiple Choice

1. **a** The deposit receipt may become the actual escrow instructions or simply the basic agreement for escrow instructions when escrow opens. Page 347

2. **d** Before writing an offer for buyers, the selling salesperson should know how much the buyers are able to pay and if terms are more important than price. He or she should also know if the buyers are prepared for a counteroffer from the sellers, any contingencies, and the timeframe to close the transaction. Page 349

3. **a** Once the purchase price and initial deposit are determined, you need to ask the buyers if they plan to pay all cash, obtain financing, assume a loan, or take title “subject to” an existing loan. Page 350

4. **c** Some salespeople think that they have done their job by writing up the offer and simply faxing the offer to the listing salesperson. It is better to try to arrange a presentation with the listing salesperson and sellers. Generally, it is not a good idea to present an offer over the telephone because you cannot obtain a written acceptance over the telephone. Page 362

5. **d** In your presentation folder, include the cover letter for the offer, the signed deposit receipt, the earnest money deposit, the buyers' pre-approval letter from the lender, and a copy of the deposit receipt or escrow instructions if the buyers' home is in escrow. Page 362
6. b Sometimes it will not be possible to get an offer accepted as it stands. If you are the listing salesperson and your sellers cannot agree to any or all terms of an offer, a rejection or counteroffer may be necessary. It is rare that a salesperson recommends an outright rejection. A counteroffer is a more plausible reaction because it is an attempt to arrive at the terms of the sellers. Page 364

7. a It is your responsibility to caution the sellers of the repercussions of countering rather than accepting an offer as is. The counteroffer supersedes any previous offers made by the buyers. When you present the counteroffer, it is now the buyers’ option to accept, reject, or counter. The buyers could decide to target another property, especially if the offer was fair and they presented evidence of strong financial backing. Page 364

8. b Remember, all counteroffers must be in writing. Page 364

9. d The accepting party must notify the offeror of acceptance so that the offer or counteroffer will be valid. Up until the point of notification of the sellers’ acceptance, the buyers are free to withdraw the offer. It is important that the party who created the offer receive a signed copy of the other party’s written acceptance for it to be valid. Page 366

10. a Once the sellers agree to the offer and the buyers are informed of the sellers’ acceptance, the deposit receipt is a valid, non-rescindable, binding contract. Once all parties execute, or sign, the deposit receipt, it becomes a bilateral contract. A bilateral contract is an agreement in which each person promises to perform an act in exchange for another person’s promise to perform. Page 366

Unit 13: Financing the Purchase

Answers - Matching

4. C  8. B

Answers - Multiple Choice

1. d The principal is the actual amount of the loan or outstanding balance that the borrower owes the lender. The interest rate is simply the cost incurred when borrowing money and usually expressed as a percentage. The term is the timeframe in which to repay the loan. Amortization is the breakdown of the monthly payments from the start of the repayment plan all the way to the finish. Page 372

2. c It is a promise to pay back a certain sum of money at specified interest terms, and at an agreed-upon time. Collateral is the security in a mortgage of trust deed. Page 372
3. d The interest-only loan is called a straight loan or term loan. It has regular interest payments during the term of the note. Page 374

4. b A fixed-rate fully amortized note is a loan with an interest rate that is fixed and payments that are level for the life of the loan. This note is common with institutional lenders. Page 376

5. c The initial interest rate, or qualifying rate, is determined by the current rate of the chosen index. Page 377

6. d The three parties to a trust deed are the borrower (trustor), lender (beneficiary), and a neutral third party called a trustee. Page 377

7. d The trustee acts as an agent for the beneficiary and has only two obligations. The first is to foreclose on the property if there is a default on the loan and the second is to reconvey the title to the borrower when the debt is repaid in full. Page 379

8. a A conventional loan is any loan made by lenders without any governmental guarantees. The basic protection for a lender making conventional loans is the borrower’s equity in the property. A low down payment will mean greater risk for the lender and a higher interest charged to the borrower. Conventional loans may be conforming or non-conforming. Page 383

9. c Loans that do not meet the borrower credit requirements of Fannie Mae and Freddie Mac are called subprime loans or “B” and “C” paper loans as opposed to “A” paper conforming loans. Page 384

10. b Equity is the difference between the value of the property and any outstanding loans or the initial down payment. Page 388

11. d When a seller carries the paper on the sale of his or her home, it is also called a purchase money loan, just like the loan made by an outside lender. Page 388

12. d A prospective borrower may choose one lender over another for many reasons. Each borrower has individual requirements, but there are some basic needs that borrowers should take into consideration when choosing a lender. Page 391

13. b By definition. Page 392

14. c Filling out the application form, which asks for detailed information about the borrower, his or her employment record, and information regarding the address of the property desired is the first step toward obtaining a loan. The lender will need documentation to substantiate the information in the application, such as recent pay stubs, bank statements, verifications of employment, deposit and rent or mortgage, tax returns, appraisal, purchase agreement, divorce decrees, bankruptcy papers and any other information the lender may need. Page 395
15. **a** To determine a consumer’s maximum mortgage amount, lenders use guidelines called debt-to-income ratios. This is simply the percentage of a consumer’s monthly gross income (before taxes) that the borrower uses to pay his or her monthly debts. 

**Page 399**

16. **c** The applicant must still pass the lender’s tests of creditworthiness. However, ECOA bars discrimination based on age, gender, marital status, race, color, religion, national origin, and whether the applicant receives public income, such as veteran’s benefits, welfare, or social security. 

**Page 403**

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**Unit 14: From Acceptance to Close**

**Answers - Matching**

1. **D** 5. **B** 9. **O** 13. **K**
2. **H** 6. **C** 10. **L** 14. **M**
3. **I** 7. **N** 11. **G** 15. **T**
4. **S** 8. **Q** 12. **E**

**Answers - Multiple Choice**

1. **d** Sometime before the escrow closes the seller will sign a grant deed conveying title to the buyer. Because the seller will sign over the ownership to the buyer before getting the money, the escrow holder must hold the signed deed until funds from the buyer are deposited in escrow and all other terms of the escrow have been met. 

**Page 415**

2. **c** The person who commonly opens escrow, if there is a real estate salesperson involved, is the listing salesperson. 

**Page 414**

3. **a** Every real estate transaction is unique. Escrow procedures may vary according to local custom. In some areas of California, such as Southern California, escrow companies or banks conduct escrows. In other areas, such as Northern California, title companies conduct escrows. The principals may go to the escrow office if there is no real estate salesperson involved, and tell the escrow officer to prepare instructions according to their agreement. 

**Page 415**

4. **d** Escrow instructions are unilateral or bilateral. The law does not set the format for escrow instructions so long as all parties approve. A new approach to conducting escrow is using the purchase agreement as escrow instructions. 

**Page 417**

5. **d** Lenders require hazard insurance that covers the outstanding loan on the property. Hazard insurance protects the borrower and the lender against loss due to fire, windstorm, and natural hazards. 

**Page 421**
6. **a** The closing statement outlines the flow of consideration through escrow, as well as adjustments and disbursements reflecting the prior agreement of the parties. Page 422

7. **c** The seller is credited for the amount of the total consideration, or sales price. The buyer is credited with the down payment. The title policy premiums and documentary transfer taxes are debited on the seller’s closing statement. Page 422

8. **c** Fees that are debited and non-recurring on the buyer’s closing statement are notary fees, appraisal fees, and title insurance premiums. Hazard insurance premiums are debited and recurring for the buyer. Page 423

9. **c** Title insurance was created in response to the need for reliable assurance of title combined with an insurance against loss caused by errors in searching records and reporting the status of title. Title insurance covers a missing connection in a property’s history or ownership. Page 419

10. **c** The salespersons’ main responsibilities during escrow are maintaining contact with parties and following up on escrow conditions. Page 415

**Unit 15: Putting it all Together**

**Answers - Matching**


**Answers - Multiple Choice**

1. **a** The real estate industry is constantly changing. It is important to keep abreast of market changes, new disclosures, contracts, real estate laws, and regulations. Page 437

2. **d** The salesperson should do all of the suggested actions. Page 439

3. **b** Your responsibilities begin when you get the listing. You must be prepared to stage the home, market the listing, and exceed your client’s customer service expectations. Page 440

4. **a** Communicate with your sellers to find out what their boundaries are regarding offers and counteroffers. Page 441
5. **d** Your client will look to you for guidance and assistance to ensure a smooth transaction. Be prepared to do all of the suggested actions.  

Page 442

6. **c** Communicate with your clients throughout the escrow process and even after closing. They will refer business to you if you handle their transaction professionally.  

Page 443

7. **b** The first thing a salesperson should do is ask if the prospective buyer is working with another agent. The other choices are not wrong, but they are not the first thing on the list.  

Page 444

8. **c** In order to write up an offer, the sales associate must discuss the amount of the earnest money deposit with the buyer.  

Page 445

9. **a** If the seller agrees to list the house, before preparing the listing agreement, the sales associate must prepare and give the seller the Disclosure of Real Estate Agency Relationships form.  

Page 447

10. **d** The seller must complete and provide to the buyer the Real Estate Transfer Disclosure Statement and the Natural Hazards Disclosure statement. The real estate agents are required to visually inspect the property and disclose any material facts. The buyer should inspect the property, but has no requirement to make a disclosure regarding his or her inspection.  

Page 449